

Message Text

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ACTION EA-14

INFO OCT-01 NEA-10 ISO-00 EB-11 SS-20 SCEM-02 TRSE-00

COME-00 INT-08 CIAE-00 DODE-00 PM-07 H-03 INR-10 L-03

NSAE-00 NSC-10 PA-04 RSC-01 PRS-01 SPC-03 USIA-15

OMB-01 DRC-01 SCI-06 /131 W
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R 141021Z JAN 74

FM AMEMBASSY MANILA

TO SECSTATE WASHDC 327

INFO CINCPAC

CINCPACREPPHIL

AMEMBASSY JIDDA

AMEMBASSY KUWAIT

C O N F I D E N T I A L MANILA 470

CINCPAC FOR POLAD

E O 11652: GDS

TAGS: ENRG, RP

SUBJ: PHILIPPINE CRUDE OIL SUPPLY AND PRICE SITUATION

REF: A) STATE 006708 (NOTAL); B) MANILA 285 (NOTAL)

BEGIN SUMMARY: MAKWR OIL COMPANY REPRESENTATIVES
STATE SAUDI GOVERNMENT HAS MADE ALLOCATIONS TO
PHILLIPINES
PURSUANT TO "EXEMPT" CATEGORY LIST WHICH
INCREASE DAILY CRUDE SUPPLIES FROM 4 TO 14 PERCENT
ABOVE PREVIOUSLY PLANNED LEVELS BEGINNEJG IN
JANUARY. AMOUNT ALLOCATED TO ESSO HAS BEEN REDUCED
BY QUANTITY FORMERLY CONTRACTED TO U.S. MILITARY.
GOP WILL SEEK MINIMIZE OR PREFERABLY ELIMINATE THIS
REDUCTION. UNAVAILABILITY OF CRUDE FROM GULF OIL
TO MEET FILOIL REQUIREMENTS IS CONTINUING PROBLEM
WHICH GOP SEEKING RESOLVE IN RZDEWED DIRECT APPROACH TO
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KUWAIT GOVERNMENT. OIL COMPANIES ARE NOTIFYING GOP OF

CRUDE PRICE INCREASES FROM DEC LEVEL OF \$3.60 TO \$8.32-8.90 EFFECTIVE JANUARY 1 (PROTECT OIL COMPANY SOURCES). END SUMMARY.

1. ESSO, CALTEX AND MOBIL REPS HAVE NOTIFIED GOP OF INCREASED SUPPLY OF CRUDE, MAINLY FROM SAUDI ARABIA: C AS RESULT OF SAG'S FORMALLY PLACING PHILIPPINES ON "EXEMPT" LIST WHICH PROVIDES ALLOCATION EQUAL TO AVERAGE JANUARY/SEPTEMBER 1973/8*58,& 94 30 SEPTEMBER LIFTINGS WHICHEVER WAS GREATER.

2. ACCORDING TO ESSO REP WALLACE, SAG NOTIFIED ARAMCO DAILY CRUDE SUPPLY FROM ESSO/EXXON TO PETROPHIL NOW FIXED AT 28,000 BBL/DAY COMPARED TO COMPANY'S PREVIOUS PLANNING FIGURE OF 24,500. SAG STATED ESSO'S ALLOCATION WAS LOWER THAN FULL ENTITLEMENT UNDER EXEMPT CATEGORY SINCE IT EXCLUDED AMOUNT FORMERLY CONTRACTED BY ESSO PHILIPPINES TO US MILITARY USERS IN PHILIPPINES. WALLACE SAID HIS CALCULATION OF FULL ENTITLEMENT WAS 32,000 BBL/DAY AND THAT IMPLIED SAG CALCULATION OF 4,000 BBL/DAY UNDER U.S. MILITARY CONTRACT WAS CORRECT ORDER OF MAGNITUDE, ALTHOUGH HE NOT AWARE HOW SAG ARRIVED AT FIGURE.

3. SUBSEQUENTLY PETROPHIL PRESIDENT VELASCO TOLD EC/COM COUNSELOR HE CALCULATED FULL ENTITLEMENT AT 32,700 BBL AND U. S. MILITARY CONTRACTS AT 2,000 BBL, WITH ACTUAL DELIVERIES AT 1,500. VELASCO SAID GOP WOULD SEEK FURTHER CLARIFICATION OF U.S. MILITARY CALCULATION AND IF POSSIBLE RESTORATION OF FULL ENTITLEMENT.

4. CALTEX NOTIFIED GOP NEW CRUDE SUPPLY FIGURE 58,000 BBL/DAY VICE EARLIER PLANNING FIGURE OF 56,000. MOBIL ALLOCATION INCREASED TO 30,000 BBL/DAY FROM 27,000. SHELL SUPPLY EXPECTED REMAIN AT ABOUT 30,000 BBL ALTHOUGH FIRM INFO NOT AVAILABLE. AMOCO SUPPLY CYRUS CRUDE EXPECTED BE UPWARD OF 25,000 BBL/DAY.

5. WE HAVE NOTIFIED VELASCO OF NEGATIVE RESPONSE
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FROM GULF ON CRUDE SUPPLY TO FILOIL (REF A), AND HE SAID FILOIL PRESIDENT DEL ROSARIO IS NOW ENROUTE TO KUWAIT TO SEEK ASSISTANCE IN CRUDE SUPPLY. INDUSTRY SEC STATE OF STATES FURTHER REPRESENTATIONS TO GULF MAY BE MADE DEPENDING ON RESULTS DEL ROSARIO TRIP. VELASCO ALSO INDICATED GOP WAS EXAMINING CRITICALLY STATUS OF GETTY OIL, WHICH NOW ONLY MARKETING OPERATION, BRINGING NO CRUDE INTO COUNTRY, WITH INTENT OF URGING GETTY

BRING EITHER CRUDE OR PRODUCT TO CONTRIBUTE ADDITIONAL
SUPPLY TO COUNTRY.

6. WALLACE STATED HE HAS NOTIFIED GOP OF NEW BILLING
PRICE OF \$8.32 FOR ARABIAN LIGHT CRUDE EFFECTIVE
JAN 1 (UP FROM 3.60 DECEMBER PRICE). HE IS CONVINCED
FURTHER PRICE INCREASE COMING IN FEBRUARY. HE SAID
ESSO WOULD NOT SEEK RETROACTIVE ADJUSTMENT OF PRICES
BASED ON DECEMBER COST INCREASES.

7. CALTEX AND MOBIL EXPECT TO NOTIFY GOP JAN 15 OF
INCREASED PRICES ROUGHLY COMPARABLE TO ESSO'S,
PERHAPS UP TO 8.90 IN VGSE OF CALTEX. (NOTE: WALLACE
PROVIDED DETAILED SCHEDULE OF POSTED PRICESE WHICH
WE ASSUME IS AVAILABLE TO DEPARTMENT. WE CAN TELEGRAPH
IF REQUIRED.) WALLACE
MORANDUM TO GOP EXPLAINED
CALCULATION OF BILLING PRICE DERIVED FROM NEWLY
ANNOUNCED POSTED PRICE OF \$11.65 AND WARNED THAT IT
SUBJECT TO CHANGE BASED ON PRODUCING GOVERNMENT'S
PRICE AND PARTICIPATION CRUDE BUY-BACK POLICIES.

8. DECLARATION OF EXEMPT STATUS FOR PHILLIPINES

HAS BROUGHT PROSPECTIVE CRUDE
SUPPLIES FOR 1974 TO AROUND 60M BBLs. THIS IS WITHIN
SIGHT OF MINIMUM NEEDS BUT STILL LEAVES NO ROOM FOR
GROWTH. THE FILOIL/GULF CONTRACT AND THE GETTY DEAL
NOW BEING PRESSED WITH LOCAL MANAGEMENT OF THAT FIRM
WOULD EFFECTIVELY COVER THE GAP.
SULLIVAN

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